

Message Text

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PAGE 01 JIDDA 04080 081218Z

ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
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SUBJ: ARAB NEWS ON SAUDI OIL PRICES

1. THE FOLLOWING ARTICLE REFUTING MEES ARTICLE ON SAUDI INTENT
RAISE OIL PRICES APPEARED JUNE 7 IN ENGLISH LANGUAGE ARAB NEWS.

2. BEGIN TEXT;

"FURTHER OIL PRICE INCREASE BY KINGDOM SEEN UNLIKELY"
THE MIDDLE EAST ECONOMIC SURVEY (MEES) SAID MONDAY THAT
SAUDI ARABIA WOULD LIKELY RAISE ITS OIL PRICES BY FIVE PER
CENT NEXT MONTH, APPARENTLY TO PROTEST THE LACK OF PROGRESS
AT THE NORTH SOUTH CONFERENCE IN PARIS.

BUT "ARAB NEWS" RELIABLY LEARNED THAT THE MEES REPORT IS
NOT TRUE, THE ECONOMIC AND POLITICAL CONSIDERATIONS WHICH
PROMPTED SAUDI ARABIA TO LIMIT ITS OIL PRICE INCREASE TO
FIVE PER CENT AT THE DOHA CONFERENCE IN DECEMBER REMAIN AS
STRONG TODAY. AS THEY WERE THEN.

SAUDI ARABIA FEARS A LARGE INCREASE IN THE PRICE OF ITS
OIL WILL HAVE AN ADVERSE EFFECT ON WESTERN ECONOMICS WHICH ARE
JUST OUT OF A LONG RECESSION AND AT THE SAME TIME WANTS
THE WEST, ESPECIALLY THE U.S. TO REPAY ITS PRICES RESTRAINT
BY SUPPORTING THE ARAB CAUSE IN THE MIDDLE EAST AND SETTling
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THE PALESTINIAN PROBLEM.

CROWN PRINCE FAHD CONVEYED THOSE VIEWS TO PRESIDENT
JIMMY CARTER DURING THEIR TALKS IN WASHINGTON LAST MONTH.
BUT SAUDI ARABIA IS READY TO MAKE SOME SACRIFICES TO
PRESERVE THE UNITY OF THE ORGANIZATION OF PETROLEUM EXPORTING
COUNTRIES AND IN THIS CONTEXT WOULD BE READY TO RAISE ITS
PRICES TO SEVEN OR EIGHT PER CENT IF THE OTHER MEMBERS COME

DOWN TO SUCH A FIGURE AND DROP AN INCREASE OF VIE PER CENT
SCHEDULED FOR JULY 1.

OIL EXPERTS CONSIDER THIS LATTER INCREASE AS ALREADY DEAD.
MEES SAID MONDAY THE 11 MEMBERS OF OPEC WHICH HAD RAISED
THEIR PRICES 10 PERCENT IN JANUARY AND PLANNED TO GO UP
ANOTHER FIVE PER CENT IN JULY, HAVE ABANDONED THE SECOND
BOOST.

THE ORIGINAL SAUDI DECISION WAS TO STAY WITH A SINGLE
FIVE PER CENT BOOST FOR THE WHOLE YEAR. THE SAUDI MOVE,
IN CONJUNCTION WITH THE OTHER ELEVEN MEMBERS ABABDONING
THEIR INCREASE, WOULD PUT ALL OPEC OIL PRICES ON PAR FOR THE
FIRST TIME SINCE JANUARY.

MEES SAID THAT THE RECENT VISIT TO WASHINGTON OF CROWN
PRINCE FAHD LEFT THE SAUDIS "WITH A REAL FEELING OF CONFIDENCE
THAT U.S. PRESIDENT (JIMMY) CARTER MEANS BUSINESS IN
PROMOTING A JUST SETTLEMENT OF THE MIDDLE EAST CONFLICT."
END TEXT.
HORAN

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